

Message Text

UNCLASSIFIED

PAGE 01 BONN 11454 111717Z

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00 /034 W
-----008459 112039Z /75

R 111703Z JUL 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9729

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL MUNICH

AMCONSUL HAMBURG

AMCONSUL FRANKFURT

UNCLAS BONN 11454

E.O. 11652: N/A

TAGS: EAIR

SUBJECT: LUFTHANSA PURCHASE OF BOEING AIRCRAFT

1. BOEING REPRESENTATIVE IN BONN RUDI HILLINGA TOLD THE EMBASSY JULY 11 THAT DEUTCHE LUFTHANSA AIRLINES WAS VIRTUALLY CERTAIN TO PURCHASE AIRCRAFT FROM BOEING WORTH AT LEAST \$300 MILLION. LUFTHANSA WILL PURCHASE FIVE 747 COMBI'S AND SIX 727'S AND TAKE OPTIONS ON FOUR 747 COMBI'S AND EIGHT 727'S. LUFTHANSA WILL SELL ITS CURRENTLY OWNED SEVEN 747'S AND ITS NINE 727 QC'S. THERE IS NO BUY-BACK ARRANGEMENT BY BOEING, BUT BOEING WILL HELP TO LOCATE PURCHASERS FOR LUFTHANSA. HILLINGA SAID THE MARKET IS VERY GOOD FOR USED 747'S AND 727'S AND THERE SHOULD BE NO TROUBLE SELLING THEM.

2. THE SALE IS NOT YET FINAL. IT HAS BEEN APPROVED BY THE BOARD OF DIRECTORS (VORSTAND) BUT HAS TO BE REVIEWED BY THE SUPERVISORY BOARD (AUFSICHTSRAT). THE UNCLASSIFIED

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LATTER HAS NEVER REVERSED THE FORMER ON A DECISION OF THIS KIND, BUT GIVEN THE HUGE SUMS INVOLVED, SUCH AN ACTION, WHILE NOT EXPECTED, CANNOT BE RULED OUT ENTIRELY. THE SUPERVISORY BOARD IS SCHEDULED TO MEET ON JULY 14.

3. HILLINGA ATTRIBUTED THE LUFTHANSA DECISION TO A NUMBER OF FACTORS. THE COMBI GREATLY IMPRESSED THE

AIRLINE BECAUSE IT COULD CARRY THE PASSENGER LOADS ON LONG RANGE ROUTES NOW BEING FLOWN WITH DC-10'S AND STILL HAVE A VERY LARGE FREIGHT CARRYING CAPACITY. LUFTHANSA WANTS TO GET RID OF ITS 727 QC'S BECAUSE IT NO LONGER NEEDS THEIR NIGHT TIME FREIGHT CAPACITY SINCE IT HAS ACQUIRED AIRBUS A-300'S WITH THEIR LARGE BELOW

DECK CARGO SPACE.

4. PROBABLY EVEN GREATER FACTORS IN THE TIMING OF THE ORDER ARE LEGISLATION THAT PERMITS A THREE YEAR TAX DEPRECIATION OF EQUIPMENT PURCHASED BEFORE THE END OF 1978 AND LUFTHANSA'S VERY GOOD CURRENT FINANCIAL SITUATION. BOEING WAS ASKED A FEW MONTHS AGO TO SEE HOW MANY 747'S AND 727'S IT COULD MAKE AVAILABLE BEFORE THE END OF 1978. IT FOUND SOME CARRIERS WILLING TO TAKE LATER DELIVERIES THAN THEY HAD BEEN PROMISED SO LONG AS THERE WAS NO PRICE INCREASE AND THUS WAS ABLE TO COME UP WITH THE OFFER DESCRIBED ABOVE. THE OPTIONS IF CALLED WILL BE FOR 1979 OR LATER DELIVERY. CASH

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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
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Disposition Reason:
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